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## SPANISH COLONIAL POLICY.

### I. THE GENERAL POLITICO-ECONOMIC POLICY OF SPAIN.

Spain, like other European nations emerging from the mediaeval period had no distinctive economic policy, except as it was incident to and dependent upon a definite political policy. The latter was dependent in turn upon the processes of national development the first step of which was integration followed by expansion and aggrandizement. In seeking to build up national life at home and defend national existence abroad, certain economic principles were involved in the financial operations of the Spanish nation. To no greater extent than this could Spain claim an economic policy and so impressed were her rulers and her people with the methods of national aggrandizement prevailing then that the national policy of the sixteenth century has never been entirely relinquished.

The integration which took place in Spain which resulted in making a strong centralized government began with the union of the parts of the territory; it was followed immediately by the long struggle of the crown against the nobility, then by the struggle of the towns for rights and privileges and finally by the struggle against the provinces in behalf of the unity of the nation. Spain came out of this struggle fully amalgamated, a strong imperial government capable of exercising arbitrary power. The internal struggle to establish unity with a national life and character was supplemented by an external struggle for national existence, in defense against encroachments of other nations. This involved new financial conditions and new financial opera-

tions. As the old feudal state declined and passed into the new modern state there was need of an army and navy, a fund of available wealth and a method of providing for the accumulation and expenditure of the same. Thus the affairs of the nation pertaining to the conditions of political existence and growth, involved the regulation of finance and trade, of coinage, of credit and industry. For the same reason, that is, of building up the national prestige, and glory, the imperial government sought power and wealth through conquest, commerce and trade.

From this aggressive nation building and defensive warfare by a settled policy and distinctive formula, most of the nations of Europe emerged into a larger life with increased intelligence in the management of their affairs. That is, from the general formula of politico-economic action they came into freedom of economic and political life. They allowed the development of economic ideas, and the freedom of economic life without the blight of economic restriction, and cherished the progress of political liberty.

The policy of every nation has been that of selfishness, which when not carefully guarded has frequently resulted in the injury of the nation practicing it. The action of Spain has been most reprehensible in this respect. Her selfish isolated life has not been due entirely to her position, living outside of the trend of European affairs. For the struggle of Spain with the Moors for over eight centuries drew away the nation from other enterprises which would have given it a larger life. The life of the nation was developed through the re-conquest and expulsion of a dominant foreign race. It was this struggle on a common basis of liberty

that unified the various elements of the Spanish nation into a common central government. At an early period of this national existence the liberties of the people were entrusted to the Cortes, composed of the clergy, the greater barons, the lesser barons, the deputies of the towns, except in Aragon and Castile where it was composed of the nobility, the clergy and the representatives of the cities. In the beginning of the sixteenth century the Cortes was a powerful body and assumed to dictate to kings who were mindful of their decrees. Also whole provinces had privileges granted them from time to time which they cherished as marks of freedom. Spain thus had all of the elements of constitutional liberty in her national foundation. Ordinarily the normal outcome would have been the development of enlightened government of the people. But the monarch representing national unity, continually augmented his power at the expense of the liberties of the people. The "time honored institutions" gave place to centralized power—to imperialism. More than in anything else, the destiny of Spain rests in the fact that in securing national unity the rights and privileges of the people were lost.

The evil was greatly augmented by the religious element that entered into national structure. That the reconquest of Spain and national unity were obtained through a religious war had a life-long influence on the destinies of Spain. It set the type of national politics forever, for the church became the instrument through which kings were wont to exercise their arbitrary power. The close union of church and state made political and religious unity identical. Thus did the conservatism and authority of the church become a strong ally to the imperialism of the crown and religious and civil liberty

of the people went out together. It is necessary to refer to the inquisition because at home and abroad it was used to perpetuate imperialism and suppress the natural development of government. This instrument of torture which for a time oppressed the liberties of the people and added to the power of prelate and king, eventually became a blight on the national life and character. If its original purpose was to extend the beneficent influences of the gospel, it became a machine for the enforcement of political and religious obedience. Not only did it prevent the development of free government, but it suppressed the civil liberty of the people, and interfered seriously with the advancement of arts, industry and commerce. He who considers the politico-economic policy of Spain, must reckon with the religious element for the monstrosity of civil and religious despotism extended to the distortion of economic practice. The bigoted political government produced bigoted, arbitrary and ruinous politico-economic and financial policies.

#### COLONIAL METHODS.

Having reached the height of imperial power the Spanish monarchs encouraged exploration, conquest and colonization in America, although in so doing they took great care not to involve themselves in any great expense. For nearly every one of the early expeditions was fitted out at private expense, the king of Spain paying for the same in titles and grants in the new kingdom. Cavaliers and grandees were zealous in conquest and exploration and spent their ducats freely with hope of larger gain in titled rank and territorial grants. The king of Spain now assumed to be the owner of all newly discovered lands and mines and

claimed one-fifth of all treasures gained by exploration. He re-granted the land to his subjects who were in a way his feudal vassals, although formal feudalism was fast passing away. In this, several ideas are involved ; first, that the discovered country should be a part of the kingdom of Spain ; second, that all revenues arising from the new country should flow into the home treasury ; and third, that the colonies when established should contribute to the support of the home government. In order to secure this a perfect monopoly of trade and commerce as well as a system of oppressive taxation was established by the home government. The crown, assuming to be the proprietor of the new lands and desiring to control all trade and commerce of the colonies, found it necessary to force the trade through given channels upon all colonists. The crown having absorbed all the functions of government, assumed the proprietorship of the soil, and essayed to control all industries and trade, a colony established under such a regime could be nothing else than the extension of the royal domain under the imperial power. The new territory was but part of the royal domain of the Spanish monarchs, the laws of the colony were made by the home government, the liberties of the colonists were absorbed by the arbitrary power of bigoted monarchs who considered that colonies were made for the exclusive use of the home government. To such an extent were these principles carried out that they were a thousand times detrimental to the Spanish nation. In seeking to grow wealthy and powerful by the arbitrary control of the sources of wealth and the channels of commerce, Spain crippled her best industries, distorted her best life and prevented a normal development of a modern

nation in which the rights and liberties of the people were recognized and promoted.

In order to carry out these principles and plans, the crown of Spain established two great agencies for the government of colonial America, the more important of which was the "Council of the Indies," which had jurisdiction over all the affairs in Spanish America. After the method of ancient Spanish government this council had judicial, legislative and administrative functions. These departments of government were not so clearly defined as in the modern civil government of England and America. Hence it was that the Council of the Indies could hold court as a judicial body to-day, to-morrow it could sit as a legislative body making laws for the government of the Indies, and all of the time could administer the affairs of the Indian government. Yet it must be remembered that the Council of the Indies was only an agency of the king to merely carry out his own designs. No doubt the Council had force in its deliberations and rulings, yet the king usually exercised the veto power to his purpose or took the initiative in legislative or judicial action. While the chief service was political it exercised a general oversight of all colonial affairs. As before stated, there being no separation between the political and economic phases of national life the body that controlled the general government controlled the common trade and finance of the nation.

However, to especially control trade another organization was formed known as the *Casa de contracion*, or India House, which was established at Seville in 1503. It took complete control of all of the affairs relating to economic life, to trade and commerce. It not only determined the rules of action controlling trade but it had the practical supervision of the trade and commerce ex-

exercised under general laws or decrees of the king. Everything that touched trade, from the loading of a ship to the regulation of ports and the direction of the course of trade, came within its jurisdiction. Its organization included a president, secretary, treasurer and general agent, and three commissioners, as well as other officials and ministers who from time to time might be provided for by law. To illustrate the power of this organization it may be said that the three commissioners were judges of cases involving the violation of laws of trade, and as such became a special department in the judicial system of Spain. Consequently, because trade touched many phases and departments of life, the India House, whose work was largely economic, finally extended its jurisdiction to cover all parts of social, political and commercial life, so far as they related to trade in any way whatsoever. Only in a measure was it subordinate to the Council of the Indies, and many times because of its management of practical affairs was it ten times more powerful.

With this governmental machinery for the control of colonial affairs for the purpose of enabling Spain to gain all the benefit of the wealth of the colonies and to enjoy the whole benefits of trade with them, plans were made for the execution of this gigantic and unnatural scheme. In the first place a rule was made that all trade leaving Spain for the colonies should pass through Seville<sup>1</sup> that a careful account might be given of everything done. Also on the American coast Porto Bello and Vera Cruz were made the receiving and distributing stations, the former for South America and the latter for Mexico, for all goods exchanged between Spain and her colonies. It was as necessary to force all trade into one

<sup>1</sup> Subsequently this monopoly was given to Cadiz.



channel in America as it was to thus force it in Spain. Hence it was necessary to create a government in the colonies typical of the government of the mother country to carry out the formal regulations of the latter. This consisted of a viceroy at the head, supplemented by captains-general, governors-general, audiencias or courts aided by the religious bodies, and the inquisition,—in fact there was created a complete government with the various officers designated for specific purposes. But this government was created by the mother country, controlled by laws of the mother country, officered by the same country all for her own specific, economic, and commercial benefit. Although the home government endeavored in many cases to ascertain the actual conditions of the colonies and to make laws for their benefit, the great distance between them as well as the actual difference of life and conditions between the mother country and her colonies, caused the making of many useless laws which in the end were highly detrimental to both Spain and Spanish America.

In the attempt to make the trade with the colonies yield a direct advantage to Spain, a system of oppressive taxation was established which included a duty of three and a half per cent. of all goods carried, which in 1587 was raised to seven per cent., and again in 1644 it was advanced to twelve per cent. This was merely for the expense of conduct from Spain to America, for as the mother country had undertaken to control the trade its next step was to guard it, to prevent smuggling and piracy. For this police work the government made the traders pay dearly. Besides this there were other taxes on exports and imports for ordinary revenue. Spain had taken the entire monopoly of the carrying trade, had forbidden colonists to buy goods of other nations or

of each other. This not only cut off the colonists from intercourse with other nations but prevented their becoming supports to each other in facing the difficulties of the New World.

To make these regulations still more effective the home government forbade the colonists to raise any products that could be raised at home. Notwithstanding the defective conditions of trade, the real failure of the politico-economic policy of Spain is more evident in seeking to gain wealth out of mines and trade to the neglect of agriculture. In this they followed the theories expressed in the mercantilist doctrine prevalent in the seventeenth century, which sought to gain wealth by exploiting mines, promoting trade and neglecting agriculture.

By this theory the wealth of the community is increased only according as it accumulates a large amount of precious metals and retains the same within its borders. Not content with an attempt to lay extra stress upon the development of trade and mining the home government sought to cripple the attempt of the colonists to carry on agriculture. To favor home producers it was forbidden to cultivate tobacco in the colonies, and in Buenos Ayres the colonists were not allowed to cultivate the olive and the grape for the market. In 1703 it was ordered by royal decree that all vines should be rooted out of certain provinces because the merchants of Cadiz complained of the falling off in the consumption of olives. It was forbidden to raise hemp, flax and saffron in the colonies because it interfered with home industries. In short, the universal principle was adopted, and everywhere and always carried into practice if possible, that whatever colonial occupation interfered with home industry was to be destroyed directly by law or

taxed out of existence. Had the Spanish nation favored agriculture and the colonists been half as zealous to make the fertile soil of the rich valleys of Spanish America yield its treasures of wealth, as they were to plunder the natives and exploit the mines it would have increased the national wealth through permanent resources and changed the destiny of Spain. But in this as in other things Spain persisted in lagging a century behind other nations who knew the value of the products of the soil.

One other persistent element of national failure was the officialism that cursed the Spanish colonies from the establishment of the first settlement in Hispanola until the final withdrawal of the Spanish rule in America. Not content with making the government to rule, and the laws to control, not content with reducing the local government of the colonies to a minimum, Spain insisted in sending out a horde of hungry officials to take all that was left after taxation and restriction had done their worst.

All the laws controlling trade, commerce, agriculture, finance, taxation, the foundation of municipalities, the management of the natives, the control of mines and the regulation of religion, were made in the mother country and sent to the colonies with the expectation that the latter would adapt themselves to the laws. Nor did the decrees of the crown and its agencies stop here, but the home power organized the colonial government, local, and central. To work this machinery of government the officers and rulers were natives of Spain sent out to rule these distant dependencies. During the Spanish domination in America, nearly all of the important offices of the state and church had been filled by Spaniards. The presidents and the judges of the

courts were from Spain. There were only eighteen Americans out of 672 viceroys, captains-general, and governors, and 105 native bishops, out of 706 who ruled in the colonies. This system of officialism continued in all of the colonial possessions of Spain to the close of the present century. It was strangely marked in Cuba and Porto Rico at the time of the occupation of those islands by the United States.

Thus the independent life of the colonies was destroyed and the barriers against development were set up. It was really a strange attitude for a nation to assume, that of making the newly discovered territory a part of the royal domain, to extend over it the system of government practiced by the home government, to supply its officers and courts,—in fact to make it part and parcel of the nation, and then turn against it, to exploit and rob it, as if it were an enemy of the nation. But such a short-sighted policy could only result in prevention of healthy colonial life, and in the final destruction of Spanish power in America.

The establishment of central authority and the attempt to govern arbitrarily the Spanish colonies regardless of their interests proved a burden to the nation that improvised the system. The policy of promoting trade became a means of hindering and destroying it. It established commercial prices and controlled trade, but in so doing it prevented the development of wealth and finally forced commerce into the hands of foreigners. Had freedom of trade been established between the colonies and Spain and other nations, the colonies would have proved a source of permanent benefit to Spain, instead of the means of her downfall. Had the colonial trade been turned over to the world, Spain would have prospered under the greater share of

this trade owing to the prestige she exercised in the New World. As it was, the failure to develop vital and vigorous colonies with an independent life and a wealth-creating power and the repression of wholesome trade brought poverty instead of wealth to both parties. Moreover the colonists, treated as children and slaves under an oppressive officialism, were rendered powerless to defend the mother country in her time of direst need. Thus the corroding rust of selfishness ate out the vital power of constitutional liberty and destroyed not only the political but the economic life of the Spanish nation. The monopolizing of commerce aroused the jealousy of other nations and smuggling became the rule. Spain could not police the high seas with sufficient force to protect her commerce, nor could she prevent the colonists from evading the laws nor the officials from robbery.

The first formal breaking down of the barriers of trade by other nations began through the slave trade. After Las Casas had, in 1517, advised the use of the African slaves in place of the native Indians, a large trade sprang up in negroes brought from the African coasts. In 1516 the slave trade was formally opened by granting to one, Chevrís, the exclusive privilege of the carrying trade, who in turn sold the right to a company of Genoese merchants for 2,300 ducats. Subsequently special privileges of this nature were granted to different individuals, some of whom entered into a contract or *asiento* to deliver a certain number of slaves at the different ports of the colonies. This traffic became a source of revenue to the king, for the contracting companies paid a liberal royalty for the monopoly. Finally, in 1713, an English company entered into a thirty-year contract to deliver within this time 144,000 negroes into

Spanish America. Extensive privileges of trade were granted this company in addition to the slave trade, as it was permitted to send one five hundred ton ship laden with merchandise each year during the term of the contract. In the latter provision the king looked out for his own interests, for he was to receive one-fourth interest in the enterprise besides five per cent. of the net gain on the remaining three-fourths. But the grant to trade given this company was the beginning of dissolution of Spanish exclusiveness and restriction. Other nations soon followed England and carried on trade by smuggling when they could not obtain the right by law. The severe laws which inflicted punishment by death and confiscation of property upon all persons caught buying contraband goods were of no avail, for the necessities of the colonies were great. When the Spanish government insisted that all goods sent to Mexico should be sent through Vera Cruz and all goods sent to Buenos Ayres should be sent to Porto Bello and down the Pacific coast to Peru, and thence over the mountains through Brazil to an Atlantic seaport, it was more than human nature, even in the Spanish colonist, could endure and he sought ways to circumvent it.

Desperate efforts were made to prevent smuggling, but the foreign nations continued to furnish, through open trade and by smuggling, goods to colonists at a price so much less than in the ordinary course of the Spanish monopoly, that the carrying trade of Spain declined, the manufacturers were driven to other countries, and the Spanish gold and silver flowed into foreign coffers to satisfy foreign laborers and manufacturers.

It was not until the last half of the eighteenth century that Spain, after nearly two centuries of fatal mismanagement was finally aroused to the real situation. She hast-

ened to change her course so that ships were allowed to depart from the principal ports of the new world, and in 1774 a law was enacted permitting the colonies to trade with one another. Yet Spain still tried to control the trade of her colonies in her own interest and granted only limited concessions to other nations. In 1778 a new commercial law was framed for the control of colonial trade, which proposed to provide for "the free commerce of Spain with the Indies." While this was an improvement, yet with all of the profession of free trade, the system was burdened with taxes, licenses and restrictions upon foreign commerce. But the revival in Spain came too late for politics and economics, for the inertia of mediaeval practices bore Spain forward to destruction. Not only was the trade with the colonies slipping away from the mother country, but her colonies were hopelessly and irretrievably lost to her. In the competition of life, nations as well as individuals have their opportunities, which if rightly used lead on to prosperity and progress. With Spain the remedial measures were inopportune; they came too late.

But if the destructive and selfish policy of Spain ruined her political and commercial institutions, the effect on the colonies was still more deplorable. The prevention of intercolonial trade, and the favoritism of certain ports like Lima, Vera Cruz, Panama, and Porto Bello, at the expense of other more obscure portions of the territory, were destructive to all thoughts of national development. By the excessive tariff on goods, certain obscure colonies were excluded from the enjoyment of the common comforts of life and were forced to begin anew the struggle of civilization along with their savage brethren of the forest. It forced them to live a miserable life without hope, powerless against the ele-

ments of nature and the oppression of bigoted government. The discontent and wretchedness was increased by the effect of the government of the wealthy officials and grandees who ruled with rapacity and cunning over weak populations. Thus did Spain by her ruinous protective policy in agriculture, industry, and commerce, and by the perpetuation of her mediaeval government, destroy trade and manufactures, depress agriculture and cut off all possibilities of rational development of her colonies. Such may be the fate of a nation that blindly and arbitrarily interferes with economic conditions.

How different it is now in the prosperous republics, once the colonies of Spain, though cursed by a benighted policy for three hundred years! Behold the flags of all nations flying in their ports, carrying the best products of England, Germany, and the United States, into every republic, and these by aid of water and rail, carried to the remotest districts of the vast territory once dominated by the Spanish kings. Education, newspapers, electricity, steam, the luxuries of the old world, the investments of accumulated capital of other nations all are rapidly transforming these once antiquated colonies into new and vigorous republics. And the resources of nature, the forests, mines, the fertile soil, and broad pastures, are yielding rich returns to those who are industrious in labor and patient in waiting. While the contrast between the old régime and the new is vivid, while the advancement in the last half of the century has been rapid, and while the ideal conditions of life are not there, except in a few choice locations; still those who have formed the habit of scoffing at Mexico, and the young republics of South America, should cease to scoff, and study and wonder at the rapid transformation, since



their independence, of the marvelous resources of the country, and the bright prospects of the future !

#### THE FISCAL SYSTEM OF THE EIGHTEENTH CENTURY.

It is easy to infer what the colonial financial system of Spain must have been under the conditions of government like those that have been pictured. That the colonies existed for exploitation by the home government may not have been fully acknowledged but was practically carried out by the methods in vogue. The colonies were managed as a part of the realm and the national government was responsible for their expenditures even as a father is responsible for his minor children. It was but natural that all incomes arising out of the colonies or in any way accruing on account of them should flow directly into the Spanish treasury. The small show of local government demanded little expense and few taxes were collected and expended on local authority. The tax on the imported goods went on increasing from year to year in accordance with the needs of the home government. This tax on exports and imports fell heavily both upon the proprietors and the Indians. In the seventeenth century Spain demanded duties on playing cards, alum, copper, hides, quicksilver, gunpowder, ice, and salt. In addition to this were the duties on silver and gold and *pulque*, a drink used by the natives. The Bull for the crusade was collected every two years of every inhabitant, the *acabala* or the tax on the sale of effects was five per cent. and later increased to fourteen. The duty on the exportation and importation of merchandise (almajanzazgo) averaged about fifteen per cent. The tax for the convoy of ships averaged about two per cent. of the value of the freight payable by the importer. But taxation did not stop here for the tax

on the right to coin money flowed into the king's coffers along with one-fifth of the income of mines which was later reduced to one-tenth. Also with these went one-half of the ecclesiastical annates and the king's ninth collected from the bishoprics. Nor did the Indians escape on account of their social differences for each one paid thirty-two silver *reals* each year besides four for the king's service. But this did not include the entire category, for the church came in for the local taxes. The above mentioned were for the king and his government but the clergy took what was left in parish rates, tithes and other forms of taxes by means of which the churches amassed enormous wealth in Spanish America. So great was this later drain that it alone took enough of the wealth from the country for non-productive purposes to prohibit any normal business arising from the rest of the free capital of the country. In brief the financial policy of Spain in the sixteenth and seventeenth centuries was for the government to tax everything to its fullest extent, and the revenue thus raised was to be exploited by its officers from the king down to the *alcalde* of the town. Whatever of income was left was then taken by the church. Thus the colonists paid practically all they had and the national government continued to lose its territory, go in debt and multiply the number of officials and *grandees* with interminable titles.

#### PROGRESS IN THE LAST CENTURY.

The Spanish government made various changes in constitution and laws from time to time and yet the relation of the mother country to the colonists changed but little as respects liberality of trade, commerce, taxation, and officialism. Whatever of improvement took place in

the fiscal system of the home government was eventually tried in the colonies as they were considered provinces of the kingdom or, in fact, parts of the empire of Spain. It was not until the beginning of the present century under the influence of the constitution that the old laws which originated with the Romans and built up through Teutonic and Arabic influence began to decline, and a new scientific classification of the laws began to appear. Nearly a century has been devoted to the organization of the laws and the establishment of a system of a constitutional government in Spain, many of these attempts only increasing the confusion owing chiefly to two facts, one, that in legislation the reorganizers were not clear and positive in repealing the old laws, and second, that the conservatism of the Spanish people made them slow to adopt new methods of procedure. Without referring specifically to the development of the Spanish codes it may be said that after the adoption of the constitution of 1811, frequent revisions of codes have taken place until the final revision in 1888. The present civil code was extended to the Philippines, Cuba and Porto Rico in 1889. The present constitution of Spain was adopted in 1876 and extended to the colonial provinces in 1881. In this organic law provision is made for the government of the colonial provinces by stating that they "shall be governed by special laws: but the government is authorized to apply to them, with the modifications it may deem advisable, and informing the Cortes thereof, the laws enacted or which may hereafter be enacted for the Peninsula." In fact, the Spanish civil, criminal, and commercial codes are the codes in use in the colonial provinces without practical change. Various differences exist in regard to

the application of common and statute laws, but these differences are greater in some of the provinces of the Peninsula than in the insular provinces. The constitution provides for the representation of Cuba and Porto Rico in the Cortes "in the manner determined by special law, which may be different for each of the two provinces." This representation was resumed in 1878 after an interval. The central government also determines "when, and in what manner the representatives to the Cortes from the island of Cuba are to be elected."

The constitution provides further for "Provincial Deputations and Municipal Councils." The law of Spain determines the manner of election of these, but both municipal councils and provincial deputations of each province or town "shall be governed by their respective laws."

This appears like a fair promise of local self-government, but in fact, the government of the peninsula so overshadowed the insular governments that in reality it was the government of the provinces. The following provision in the constitution shows the imperial rule of the monarchy: "said laws, (*i. e.*, of councils and deputations), shall conform to the following principles: 1. Government and direction of the private interests of the province or the town by the respective corporations. 2. Publication of the budgets, accounts and resolutions of the same. 3. *Intervention of the king*, and in a proper case of the Cortes, to prevent the Provincial Deputations and the municipal councils to go beyond the limits of their powers to the *prejudice of general and permanent interests*. 4. Determination of their powers with regard to the budgets, in order that the provincial and municipal budgets may never be in *opposition to the tax system of the state*."<sup>1</sup>

<sup>1</sup> The italics are by the writer.

The tendency of Spanish government has been to make a show of liberality in constitution and in law, but to allow arbitrary usage based on tradition to prevail. It is just this practice that has caused the trouble in Cuba and Porto Rico, principally in the former. With all of the privileges granted by King and Cortes from the ancient decrees found in the *Recopilacion* of the laws of the Indies to the modern codes and constitution, Spain ruled with an iron hand in the colonial provinces and controlled law, government, finances, taxation, everything through a blighting officialism emanating from royal prerogative and more progressive Cortes. Even the famous autonomy government promulgated Nov. 25, 1897, gave ample opportunity for the continuation of the old Spanish régime in the island, should the powers of the peninsula wish to be arbitrary. The whole powers of the government rested ultimately with the governor-general, who was appointed by the crown, or with the Cortes, which could limit or annul the action of insular chambers. It appears from a review of this autonomy government that Spain has no conception of a free government as understood by England or the United States. The imperial authority simply says, "you may *play* free self-government, but let it be distinctly understood that I hold the reins and will tell you *how* to play." No greater subterfuge was ever attempted in politics than the decree of autonomy respecting Cuba by the home government. Subsequent events have rendered it unnecessary to place any importance on the document except to show that the government of Cuba was practically an extension of the government of Spain. While, indeed, there is a distinct colonial budget under the supervision of the minister of the colonies, the pro-

cedure in the colonies is always after the plan of the peninsular government and in reference to its needs.

#### SPANISH FISCAL SYSTEM.

It is, therefore, best to refer briefly to the Spanish financial system as a preparation to a clear understanding of the fiscal system of the colonial provinces. The constitution of Spain provides (title XI, art. 85) that "every year the government shall submit to the Cortes a general budget of the expenses of the state for the following year, and the plan of ways and means to cover the same, as well as the accounts of the accounting and application of the public funds, for their examination and approval." The law provides that this budget shall be made up, not by the ministry as a body, but by each minister making an estimate of the annual expenses of his department, which goes finally before the council of ministers for discussion. It is also necessary to propose plans for raising the revenue to meet the expenses before the budget is completed and referred to the Cortes.

The budget of expenditures is divided into two parts : first, the general obligations of the state, and second, the obligations of the departments of ministers. The first part is again subdivided into expenditures of (1) the royal household, (2) legislative bodies, (3) public debt, (4) charges of justice and indemnities, and (5) annuities and pensions. The second part is divided into (1) presidency of the council of ministers, (2) foreign affairs, (3) war, (4) marine, (5) justice, (6) interior, (7) public works, (8) finance, (9) expense of collecting taxes, and (10) the colony of Fernando Po. The budget of receipts represents six chief resources of income, as follows : (1) taxes, (2) imposts, (3) customs, (4) government monopolies, (5) properties and rights belonging to the state and (6) the public treasury. Each item of the budget is discussed

in both houses of the Cortes before an agreement is reached.

In order to provide revenue to meet the necessary expenditure an elaborate system of taxation prevails, as outlined in the six main heads above. Taxes are laid upon real estate and agriculture, industry and commerce, and the transmission of property, on consumption, salaries of government officials, railway tickets and transportation, and certificates of fidelity, tax on imports, exports, loading and unloading ships, travelers, quarantine dues, and colonial produce; on commercial paper, and stamped goods, tobacco, salt, lotteries, etc. Besides this the revenues are increased by income from the state tobacco monopoly, the rental of quicksilver mines and other state property, the payment for exemption from military services, and from the mint and the postoffice. These are the principal sources of revenue, but there are other items, such as money left to be expended for the repose of the soul, on which there is a tax of 12 per cent. It is interesting to note that the tax on industries varies according to the locality, the population being a great item in determining this and the nature of the occupation. According to a mediæval custom the taxpayers arrange themselves into companies according to their occupation and determine the proportionate amount of the total to be raised in a given district by a given occupation by each individual. That is, the guild or *gremio* is made responsible for the total amount at so much per capita. A guild may assess a number not more than eight times as much, or one-eighth as much as the average per capita rate. This custom of holding guilds or groups of people of a given occupation responsible for a certain amount of revenue is practiced in the colonial provinces in a more or less systematic manner.

## THE BUDGET OF THE COLONIAL PROVINCES.

The system of raising revenue in the colonial provinces is similar, almost identical, with that of the Peninsula. The sources of revenue are about the same and the method of assessment and collection of taxes vary but little from those of the Peninsula. The expenditures are along the same general lines and with the exceptions of the colonial government they run about the same. The budget is made up in the colony and sent to the home government for approval. The system of taxation is very oppressive on account of shifting of the excessive export, imports, consumption and business taxes and the evasion of many of the direct taxes by those who have the opportunity. Part of the income goes to Spain for the support of the colonial ministry and a part to the departments of navy and war, and other important expenditures of the general government. Thus the estimates in Cuba for the fiscal year 1888-1889 were 26,356,731.41 pesos (60 cents), of this amount 22,500,808.59 pesos represented the sovereignty expenses, and the balance of 3,855,922.82 pesos was for local government. There is an insular treasury into which revenues flow, and only a part of this amount is sent to the treasury of Spain, the rest is spent in Cuba carrying on that part of the government which is under the direction of the Spanish government. It includes expenditures for

(1) Interest on the public debt and general Ex. ....	12,574,709.12 pesos <sup>1</sup>
(2) Justice and religion .....	329,072.63
(3) Expenditure for war .....	5,896,740.73
(4) Expenditures for navy .....	1,055,136.13
(5) Executive government .....	2,645,149.98
Total .....	22,500,808.59 pesos

<sup>1</sup> Spain has a colonial ministry for the control of the general affairs of the colonial governments.



Of the balance of the budget the local government estimates are for the following purposes :

(1) General expenses .....	159,605.50 pesos
(2) Justice and religion, charities and corrections ..	1,612,859.44
(3) Treasury .....	708,987.51
(4) Public instruction .....	247,033.02
(5) Public works and communication .....	1,036,582.10
(6) Commerce, agriculture, industry .....	108,178.52
Total .....	3,873,237.09 pesos

Of the general expenditure for the local government of the island, the large part, 133,380 pesos, goes for the support of the colonial legislature. But the largest items of public expense are the lower, ecclesiastical and territorial courts and police, the collection of taxes, the management of the treasury, public works, etc. The sources of revenue to meet these expenditures were :

Taxes and imposts .....	pesos 6,142,500 net
Custom house receipts .....	14,705,000
Internal revenue .....	1,640,650 net
Lotteries .....	1,900,500
Income rent of State property .....	112,000
Income sales .....	323,000
Miscellaneous (claims, coinage, accounts,) .....	1,536,000

The method of making out the budget in Porto Rico, as well as collecting and expending revenue, vary but little from the method in Cuba. The budget approved by the Cortes at Madrid, Nov. 8, 1898 is as follows :

#### GENERAL BUDGET.

##### ESTIMATES OF EXPENDITURE.

General obligations .....	498,501.60 pesos <sup>1</sup>
Justice and religion .....	423,818.80
War .....	1,252,377.76
Treasury .....	260,800.00
Navy .....	222,668.20
General government, interior .....	878,175.83
Total .....	3,536,342.19 pesos

<sup>1</sup> Including expenses of colonial ministry.

These expenditures were to be met in the following manner :

Taxes and imposts .....	576,200 pesos
Custom house receipts .....	3,132,900
State monopolies .....	184,200
Property of the state .....	9,300
Miscellaneous revenue .....	36,900
Total .....	3,939,500 pesos

#### BUDGET OF THE PROVINCIAL DEPUTATION.

##### EXPENDITURES.

Administration .....	71,860.00 pesos
Lottery .....	23,180.00
Beneficencia .....	50,116.00
Miscellaneous .....	76,105.48
Post and telegraph .....	171,506.00
Sanitation .....	38,748.00
Public instruction .....	125,195.00
Public works .....	662,079.00
Colonization .....	3,910.00
Total .....	1,217,700.00 pesos

A review of these budgets will show at once the nature of the fiscal system, as to the methods of raising revenue and the expenditure of the same. It shows how great a factor the government of Spain was in the colonial system.

A careful examination of the affairs of Cuba and Porto Rico prior to the occupation of the United States reveals the fact that Spain had not abandoned her ancient methods and had not departed from the principles and practice of a colonial policy presented in the first part of this paper. The governor-general an emanation from the Spanish crown had a large appointive power which he used to the fullest extent. The provincial and municipal governments had some privileges but they were not practised. The municipalities including towns and the surrounding country had the privilege of

electing a mayor and council through a vote of the people. But as the population of the towns was in excess the councilmen and mayor always came from the town where the Spanish element was in control, so that native Spaniards nearly always held the power. More than this the governor-general nearly always appointed all of the municipal employees and *alcaldes*. The law provided that the council should choose these if the governor-general did not wish to do so. The municipal government which made a show of local independence could do but little without the consent of the central government, which was immediately subversive to Spanish rule. While it was provided that the council should regulate hospitals, jails, and police, among other municipal duties, it must all be referred to the governor-general for his approval. While the council and mayor must make up the budget containing estimates of receipts and expenditures it must be referred to the insular government and incorporated into the annual budget of the island which must be referred to the Cortes of Spain for its approval.

In the provincial government the same conditions existed so far as the power of the governor-general was concerned. He appointed nearly all of the officers and removed them at his will. It is true that the legal voters could elect members of the provincial deputations, also the deputies representing Cuba in the Cortes at Madrid. An excessive poll tax of \$25 reduced the representative voters to 53,000 at one time, and reduced the representatives of Cuba to three members out of a total of 430 at Madrid. The whole tendency was to make the representation of the insular governments in the cortes of the Peninsula merely formal and valueless. One-half of the senators sent to the upper house of the

Cortes were appointed by the crown, the other half were elected by the voters of Cuba. The colonial governments have been from time immemorial places for the disposal of favorites and hangers-on to the peninsular government. Thousands have been appointed with the understanding that it was a good way to recoup shattered fortunes or possibly recover lost character. What were the objects of these colonies, if not to be systematically and regularly robbed and plundered? It was well understood by officials that this was an opportunity not to be overlooked.

#### INSULAR FINANCES.

Referring to the budgets as given on a previous page, it will be seen that nearly everything was taxed in order to raise the extraordinary revenue for the support of the provincial, municipal, and central governments. Had the taxes been assessed equitably and collected justly without excessive expense, and the larger portion turned to the account of the colonial governments for their improvement instead of passing to Spain to support officialism, they could not have proved burdensome. But when taxes were an excessive drain upon the resources of the islands and a burden to their industries without giving any adequate return, the countries were on the road to bankruptcy. The revenues for the support of municipalities were raised by means of a consumption tax and a tax on industries, commerce and territorial wealth. All the fuel, food and drink coming into the town is taxed, an income is raised from licenses, rents, fines, and taxes on business. Also there is a tax on incomes of  $7\frac{1}{2}$  per cent. In addition to this, the state may make appropriations out of its treasury for the partial support of the municipality.

The customs duties of the insular governments represent the largest source of income for the central governments. The ancient principle of restriction is carried on to the detriment of both the crown and the colonial provinces. The goods from Spain were favored by a differential rate or tariff, placed upon foreign goods, making them much higher than those shipped from Spain. It is strange that after over three centuries of practice Spain could not yet have learned the evil results of such a policy! American, German, French, Belgian, and English goods were shipped under the Spanish label. Even American flour was sent across the ocean to Spain and returned to Cuba in order to avoid the excessive tariff. The result was to cheat the islands out of legitimate revenue and to furnish a poor class of goods at enormously high prices. (It is hoped that the United States in its first experience with insular provinces will not fall into the same error). The drain on the islands was excessive, for nearly everything consumed was imported. In addition to the loss in this direction a system of smuggling was carried on not only by outside parties but by the customs officials themselves, by means of which foreign goods were introduced and the benefits derived divided between the smugglers and the merchants, the consumers still paying enormous prices for the same. This ruinous policy was carried on in the supposed interests of the Spanish government. The tariff or revenue thus raised has been called the "sacred patrimony of the Spanish nation," and it has been officially and legally declared that the Cuban tariff has been conducted in the interests of Spain. The taxation on consumption has always been a grievous tax. It is of antiquated form and no longer in practice in the best systems of local taxation. The tax on business is

another form which should find no place in an enlightened nation unless in case of license for the purpose of police regulation. But Spain has insisted that any colonial subject that carried on business should divide the proceeds with the government. No sooner did a person discover and develop a mine than the crown seized a certain per cent. of the income. This law is found in the *Recopilacion*, dating from the time of Charles V, and has been handed down and practiced ever since. There is another burdensome registration or identification tax which every one must pay,—a poll tax regulated in amount in accordance with the ability to pay.

In the consideration of taxation it must be understood that the church was also a state affair and that revenues were regularly collected for its support. Outside of the regular taxes the fees of the clergy for marriage, burial, and baptism have been enormous. The rapacity of the secular government has never exceeded the rapacity of the church in Spanish-America. While the Christian church is a noble institution and properly conducted, a strong support to government and social order, it may be questioned whether it has been a blessing or a curse to Spanish-America. It withdrew such large quantities of wealth from the country and locked it up in unproductive property that it frequently crippled the industries and detracted from the prosperity of its supporters. The amount of capital invested in religion in Spanish-America from an economic standpoint yielded a small return on the investments and frequently could be counted as "sunken" capital invested in unproductive plants. Upon the whole the system of finance, including receipts and expenditures in the colonial governments of Spain, was a colossal failure, not so much on account of the excessive income raised as on account of

the bad methods employed and because the revenues were expended to support officialism and the home government rather than to be devoted to the development of the resources of the colonial provinces.

#### THE PUBLIC DEBT.

The public debts of colonial provinces have practically been assumed or guaranteed by the peninsular government. Practically the colonial government as stated before, is a part of the central government, and should be treated as are the provinces of the peninsula. Whenever the Spanish government has imposed a debt exclusively upon any colonial government it has done so arbitrarily, as such debt belongs to the general government, and the colonial province should be made responsible for its share of the payment, only as a part of the Spanish territory and government. In case of the Cuban debt this principle should be strictly applied. This debt arose on account of war, the deficits arising from bad administration and the impoverishment on account of bad fiscal laws. It is estimated that the debt prior to the insurrection of 1895, amounted to upwards of \$170,000,000. The greater part of this arose out of the ten years revolution extending from 1868 to 1878. Prior to this Cuba was forced to pay interest on debts made through international difficulties with Peru, Mexico, San Domingo and other states. Through an adjustment in 1879, these debts were consolidated and placed in charge of the Colonial Bank of Spain at Barcelona. The amount of these debts, \$5,000,000 charged to the Cuban treasury was assumed by Spain and absorbed into the general debt at that time. It has been customary for the general government to assume as part of its legitimate obligations all expenses incurred in

putting down insurrections and rebellions occurring in its different provinces. The national government always assumed that the war in Cuba was only a revolt against the Cuban government. Hence, while Cuba bore the great burden of suppressing the insurrection, it was Spain's business to conquer the insurgents, subdue her own rebellious subjects, and then pay for the war as any other nation would expect to do under similar circumstances. Instead of doing this Spain saddled the debt upon Cuba under the guarantee of the Spanish government. Cuba has been paying annual interest on this debt ever since, while Spain has been spending the millions raised in Cuba in other ways than the liquidation of debts or the improvement of the island. The debt has been added to from time to time by deficits in the government accounts. From any reasonable constitutional interpretation, or from any logical conclusion on the precedents or practices of Spain and other nations, the debt did not belong to Cuba, but was Spain's own, which should be met by taxing the resources of all Spain and Spanish possessions, including Cuba.

The insurrection of 1895-1898 involved other expenses of the Spanish government, which, under the circumstances of the intervention of the United States, should be borne by Spain alone, as the treaty involved no settlement other than this. Whatever fell directly to the insular government, the provinces and municipalities, or to the insurgent government, must be met with no reference to Spanish authority. Spain imposed the debt upon Cuba simply because it was possible to do so. It was a continuation of that policy of exploitation which has characterized her colonial policy from the beginning.



## CONCLUSION.

There is no other case on record where a nation through a long period of years failed to learn any lessons in the management of colonial affairs, but pursued blindly to the bitter end a policy highly ruinous to both home and colonial government. Each succeeding struggle brought renewed stubbornness and special attacks of blindness in regard to the rights and privileges of a free people. The whole system of pretended local government was a farce and imperialism extended to the remotest bounds of the colonial province. Viewed from one standpoint the colony was a part of the central government and was controlled by hordes of royal officers; viewed from another, it was a territory to be used, robbed, a matter of convenience; the rights and privileges of whose inhabitants the central government was in no way bound to respect. The colonial policy of Spain was made up of an oppressive commercial policy, a ruinous and oppressive industrial policy, a destructive political policy, a defective and unjust financial policy. Unjustly holding to these methods, Spain's colonial domain has been reduced from that of a vast empire to a few islands of about 5,000 square miles in area. Spain's colonies have gone and with them the most extensive system of colonial laws and colonial government in the history of the world, unless it be that of England with her enlightened colonial system.

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